

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA	:	DATE FILED: _____
v.	:	CRIMINAL NO: 04 -
WILLIAM F. EDWARDS PILOT AIR FREIGHT CORPORATION	:	VIOLATION: 26 U.S.C. § 7212(a) (obstructing and impeding the administration of the Internal Revenue Code – 1 Count) 18 U.S.C. § 2 (aiding and abetting)

I N F O R M A T I O N

COUNT ONE

THE UNITED STATES ATTORNEY CHARGES:

At all times material to this Information:

The Defendants

1. The defendant, PILOT AIR FREIGHT CORPORATION (“PILOT”), was a corporation engaged in the business of air freight forwarding, located at 314 North Middletown Road, Lima, PA.

2. The defendant, WILLIAM F. EDWARDS (“EDWARDS”), along with his brother, now deceased, and known to the United States Attorney as T.E., founded defendant PILOT. Defendant EDWARDS owned, at various times, 33 and 1/3% of the outstanding shares of common stock of PILOT, as did T.E.

The EDWARDS’ Tax Debt

3. From in or about 1992 until approximately 2001, defendant EDWARDS and T.E. owed a substantial tax debt to the Internal Revenue Service. By January 1997, the tax debt of EDWARDS and T.E. exceeded \$750,000.

4. In 1992, defendant EDWARDS owed the Internal Revenue Service an unpaid balance of \$49,257 on his 1992 individual federal income taxes.

5. In 1993, T.E. owed the Internal Revenue Service an unpaid balance of \$46,304 on his 1993 individual federal income taxes.

6. In 1994, defendant EDWARDS owed the Internal Revenue Service an unpaid balance of \$90,490 on his 1994 individual federal income taxes and T.E. owed the Internal Revenue Service an unpaid balance of \$92,470 on his 1994 individual federal income taxes.

7. In 1995, defendant EDWARDS owed the Internal Revenue Service an unpaid balance of \$156,866 on his 1995 individual federal income taxes and T.E. owed the Internal Revenue Service an unpaid balance of \$218,659 on his 1995 individual federal income taxes.

8. In 1996 and 1997, defendant EDWARDS and T.E. failed to pay the Internal Revenue Service the unpaid balance of the above assessments, resulting in the addition by statute of estimated tax penalties, delinquency penalties and failure-to-pay-tax penalties.

The Consulting Agreements

9. In January 1994, defendant EDWARDS and T.E. signed consulting agreements with defendant PILOT which obligated defendant PILOT to pay defendant EDWARDS and T.E. \$12,500 each, per month, in exchange for the agreement of defendant EDWARDS and T.E. to perform a maximum of five days' work per month for defendant PILOT, if requested to do so by defendant PILOT.

10. The written consulting agreements between defendant EDWARDS and T.E. and defendant PILOT expired as of December 31, 1996, but defendant PILOT continued to pay consulting fees to defendant EDWARDS and T.E. after the written agreements expired.

The Notices of Levy

11. The Internal Revenue Code's levy and seizure provisions at 26 U.S.C. §§ 6331 and 6332 empower the Internal Revenue Service to serve Notices of Levy on third parties who owe money to taxpayers who have failed and refused to pay their federal taxes.

12. A Notice of Levy on Wages, Salary and Other Income requires the recipient to turn over to the Internal Revenue Service: (1) the taxpayer's wages and salary that have been earned but not paid yet, as well as wages and salary earned in the future until the levy is released and (2) the taxpayer's other income that the third party has now or for which the third party is obligated. "Wages and salary" includes fees, commissions and bonuses.

13. On or about March 31, 1997, the Internal Revenue Service served a Notice of Levy on defendant PILOT to collect approximately \$434,162 in taxes, interest and penalties owed to the Internal Revenue Service by T.E.

14. On or about April 27, 1997, the Internal Revenue Service served a Notice of Levy on defendant PILOT to collect approximately \$349,470 in taxes, interest and penalties owed to the Internal Revenue Service by defendant EDWARDS.

The Scheme to Obstruct and Impede the IRS

15. It was part of the scheme that defendant PILOT, knowing that defendant EDWARDS and T.E. failed to pay substantial income tax obligations, continued to pay defendant EDWARDS and T.E. consulting fees that constituted wages, salary and other income to defendant EDWARDS and T.E. through straw parties, that is, persons who were used solely to conceal the true nature of the payments, all in an effort to avoid the payment and collection of income taxes.

16. Beginning in 1994, defendant PILOT paid consulting fees to defendant EDWARDS and T.E., in the amount of \$12,500 per month, which consulting fee checks defendant EDWARDS and T.E. deposited into the bank accounts of straw parties in order to avoid collection efforts by the IRS.

17. Beginning in or about June 1994, defendant PILOT mailed consulting fee checks payable to defendant EDWARDS to a post office box, instead of to defendant EDWARDS' home address, in order to avoid collection efforts by the IRS.

18. Beginning in or about June 1995, defendant PILOT deposited consulting fee checks, payable to T.E., into the bank account of a straw party in order to avoid collection efforts by the IRS.

19. In or about May 1996, defendant PILOT, through PILOT's outside accountant, negotiated an offer in compromise between the Internal Revenue Service and T.E., to settle T.E.'s outstanding tax liabilities for approximately \$27,000, then refused to fund the offer in compromise.

20. After the written consulting agreements expired by their own terms at the end of December 1996, defendant PILOT continued to make monthly consulting fee payments to defendant EDWARDS and T.E. in January, February, March, and April 1997.

21. After PILOT was served with IRS levies, an officer of defendant PILOT, knowing of the IRS levies, caused the May 1997 consulting fee payments that defendant PILOT owed to defendant EDWARDS and T.E. to be paid to two straw parties instead, that is, the daughter of defendant EDWARDS and the paramour of T.E., to avoid compliance with the IRS levies.

22. On or about May 7, 1997, an officer of defendant PILOT caused defendant PILOT to issue the May 1997 consulting fee payments due to defendant EDWARDS and T.E., payable to two straw parties instead, that is, the daughter of defendant EDWARDS and the paramour of T.E.

23. On or about May 7, 1997, defendant PILOT issued checks in the amount of \$10,000 each to the two straw parties, withholding \$2,500 from each straw party's check for backup withholding tax.

24. On or about May 7, 1997, defendant PILOT falsely classified the \$10,000 checks to the two straw parties as consulting fees to the nominees upon defendant PILOT's books and records when in fact defendant PILOT had issued the checks to the two nominees solely to pay defendant EDWARDS and T.E. their May 1997 consulting fees and avoid the IRS levies.

25. In or about May 1997, in the Eastern District of Pennsylvania, and elsewhere, the defendants,

**WILLIAM F. EDWARDS and
PILOT AIR FREIGHT CORPORATION**

corruptly obstructed, impeded, endeavored to obstruct and impede, and aided, abetted and willfully caused the obstruction and impeding of the due administration of the Internal Revenue Code, Title 26 of the United States Code, by issuing and causing to be issued, and accepting and causing to be accepted, two consulting fee payment checks in the amount of \$10,000 each, made payable to straw parties instead of to WILLIAM F. EDWARDS and T.E., all for the purpose of

evading the Internal Revenue Service Notices of Levy served on defendant PILOT on or about March 31 and April 27, 1997 to collect (1) approximately \$434,162 in taxes, interest and penalties owed to the Internal Revenue Service by T.E., and (2) approximately \$349,470 in taxes, interest and penalties owed to the Internal Revenue Service by EDWARDS.

In violation of Title 26, United States Code, Section 7212(a) and Title 18, United States Code, Section 2.

Notice of Additional Factors

THE GRAND JURY CHARGES FURTHER:

1. In committing the offense charged in Count 1 of this Information, the defendant,

WILLIAM F. EDWARDS

committed an offense in which the tax loss exceeded \$8,000 as described in U.S.S.G. § 2T1.1 and § 2T4.1(E).

2. In committing the offense charged in Count 1 of this Information, the defendant,

PILOT AIR FREIGHT CORPORATION

committed an offense in which the tax loss exceeded \$23,500 as described in U.S.S.G. § 2T1.1 and § 2T4.1(G).

PATRICK L. MEEHAN
United States Attorney